

RNCA  
NCA  
VOC FOR IOP/FN  
POLITICAL FEATURE NO. 1-1597  
JOSEPH SULLIVAN

OCTOBER 7, 1976

## COMMODITY PRICES AND THE COMMON FUND

ANNCR:

THE DEVELOPING NATIONS PROPOSED AT THE FOURTH UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD) THAT A COMMON FUND BE ESTABLISHED TO FINANCE THE PURCHASE OF COMMODITY BUFFER STOCKS. THE PROPOSAL HAS GENERATED SOME DISAGREEMENT, AND VOA'S JOSEPH SULLIVAN LOOKS AT THE UNITED STATES POSITION ON THE COMMON FUND AS OUTLINED THE OTHER DAY BY A RANKING TREASURY DEPARTMENT OFFICIAL.

VOICE:

THE DEVELOPING COUNTRIES ARE SEEKING A SOLUTION TO THE VIOLENT PRICE FLUCTUATIONS OF COMMODITIES THEY IMPORT AND EXPORT. AND ONE WAY TO ACCOMPLISH THIS, THEY SAY, IS THROUGH THE CREATION OF COMMODITY BUFFER STOCKS. THESE RESERVES WOULD BE INCREASED OR REDUCED IN A MANNER DESIGNED TO STABILIZE WORLD COMMODITY PRICES. THE DELEGATES TO THE UNCTAD-FOUR MEETING IN NAIROBI AGREED THAT PREPARATORY MEETINGS WOULD BE HELD, LEADING BY MARCH 1977 TO A CONFERENCE ON THE ESTABLISHMENT OF A COMMON FUND TO FINANCE THE BUFFER STOCKS.

U.S. DEPUTY ASSISTANT SECRETARY OF TREASURY ROBERT VASTINE TOLD A MEETING OF THE NATIONAL FOREIGN TRADE COUNCIL IN NEW YORK THAT THE UNITED STATES HAS SERIOUS RESERVATIONS ABOUT THE IDEA OF A COMMON FUND. "WE HAVE TAKEN THE POSITION," HE SAID, "THAT A COMMON FUND IS NOT AT ALL NEEDED, AND WILL NOT WORK." IT IS FIRST NECESSARY, HE SAID, TO DETERMINE WHETHER PRICE STABILIZATION FOR A PARTICULAR COMMODITY IS NEEDED AND WHETHER A BUFFER STOCK IS IN FACT THE ANSWER. FOR THIS REASON, HE SAID, THE UNITED

STATES WILL PARTICIPATE IN THE PRELIMINARY DISCUSSIONS ON A COMMON FUND, BUT WILL NOT COMMIT ITSELF TO PARTICIPATE IN FUTURE NEGOTIATIONS FOR SUCH A FUND.

MISTER VASTINE EXPLAINED THAT A MAJOR OBJECTION TO THE PROPOSED COMMON FUND IS THAT IT WOULD INVOLVE AN ADVANCE COMMITMENT TO FUNDING, AND THUS WOULD ENCOURAGE THE ESTABLISHMENT OF UNNECESSARY BUFFER STOCKS. THE UNITED STATES, HE SAID, ALSO BELIEVES THAT THERE ARE A NUMBER OF ALTERNATIVE MEANS FOR FINANCING BUFFER STOCKS, DEPENDING ON THE CHARACTERISTICS OF THE MARKET AND THE SPECIFIC COMMODITY FOR WHICH A BUFFER STOCK IS CONSIDERED NECESSARY.

GOVERNMENT ECONOMISTS, THE TREASURY OFFICIAL SAID, HAVE CONCLUDED THAT TECHNICAL PROBLEMS OR THE EXPENSE OF A RESERVE LARGE ENOUGH TO HAVE A MARKET IMPACT MAKE BUFFER STOCKS DUBIOUS FOR MOST OF THE EIGHTEEN BASIC WORLD COMMODITIES. THUS, HE SAID, THE CASE FOR A COMMON FUND SEEMS VERY WEAK. IN HIS WORDS: "IT SEEMS PLAINLY WASTEFUL TO SET ASIDE THOUSANDS OF MILLIONS OF DOLLARS OF THE WORLD'S SCARCE CAPITAL FOR THIS QUESTIONABLE PURPOSE, WHEN THIS CAPITAL IS SO BADLY NEEDED TO HELP PROMOTE BASIC ECONOMIC DEVELOPMENT OBJECTIVES."

(OPT) U.S. POLICY ON OTHER SO-CALLED "NORTH-SOUTH" ECONOMIC ISSUES, MISTER VASTINE SAID, IS GUIDED BY A NUMBER OF FUNDAMENTAL PRINCIPLES, INCLUDING BELIEF THAT THE OPERATION OF FREE AND FAIR MARKETS IS THE MOST EFFICIENT WAY TO INCREASE PRODUCTION, IMPROVE EFFICIENCY, AND STIMULATE GROWTH. WE SHOULD TRY, HE SAID, TO IMPROVE THE EFFICIENCY OF INTERNATIONAL MARKETS... NOT FURTHER IMPAIR THEIR OPERATION BY ADDING NEW RESTRAINTS AND CONTROLS, EITHER GOVERNMENT OR PRIVATE.

IN THE FINAL ANALYSIS, MISTER VASTINE OBSERVED, ECONOMIC WELL BEING WILL DEPEND ON THE EFFORT AND THE SKILL WITH WHICH DEVELOPING COUNTRIES UTILIZE THEIR OWN HUMAN AND MATERIAL RESOURCES. THE INDUSTRIALIZED COUNTRIES CAN, HE SAID -- THROUGH CONSTRUCTIVE TRADE, TECHNICAL AND FINANCIAL ASSISTANCE POLICIES -- SIGNIFICANTLY HELP DEVELOPING COUNTRIES. BUT THIS ASSISTANCE, HE CONCLUDED, WILL ONLY BE OF LASTING VALUE WHEN COMBINED WITH SOUND INTERNAL POLICIES. (END OPT)

GH/RCS